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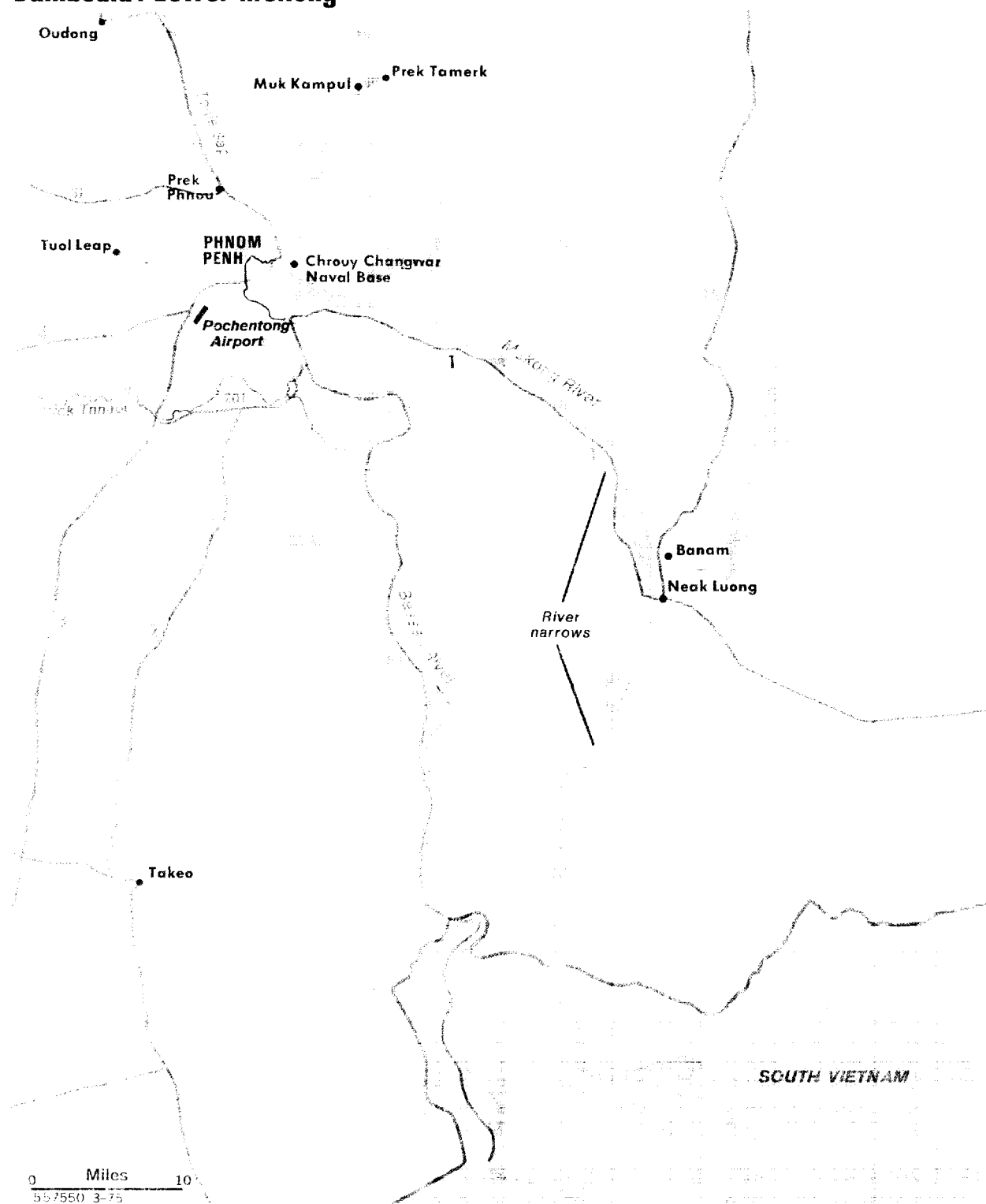
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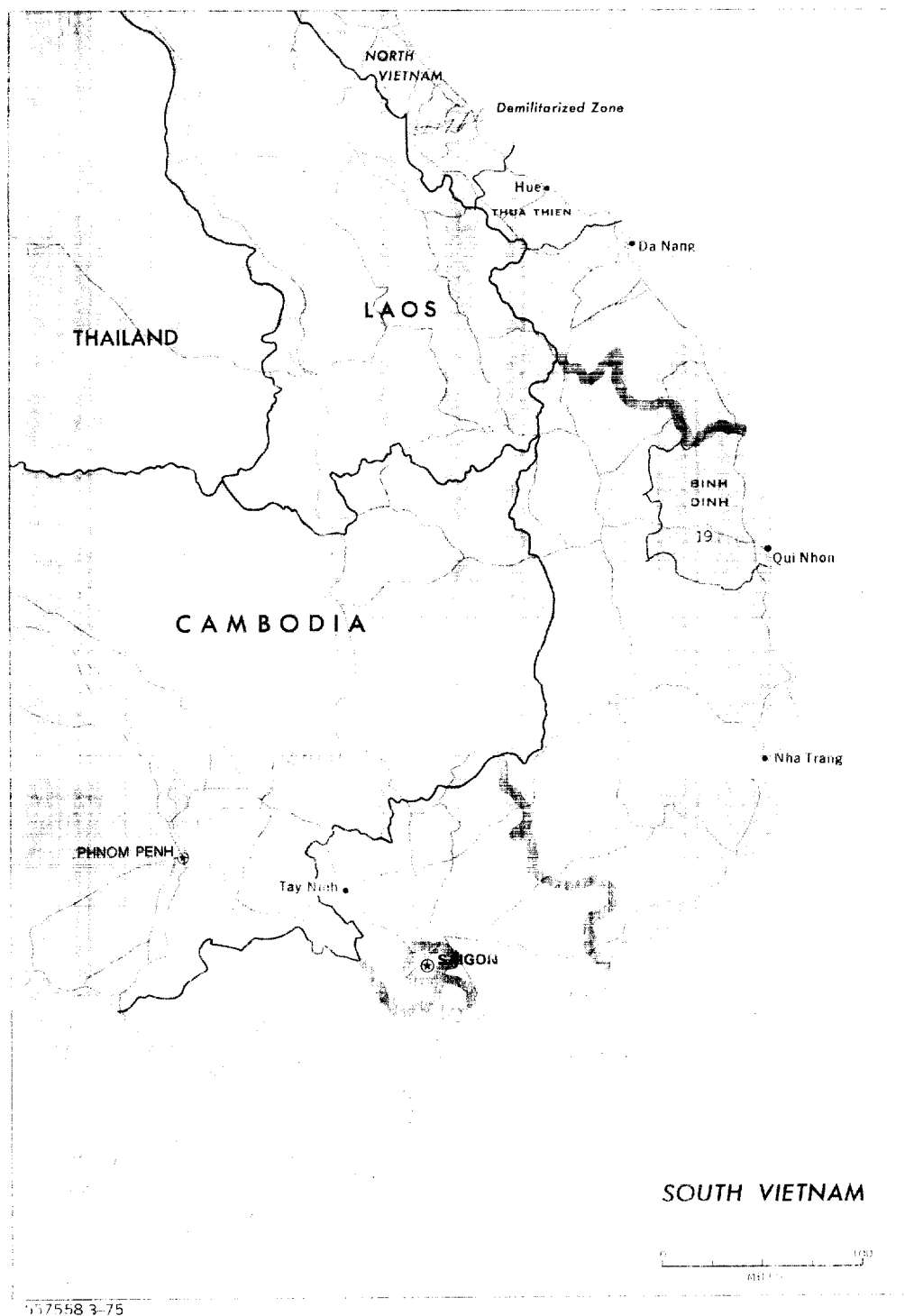
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CAMBODIA

The Khmer communists have quickly capitalized on the reoccupation of Tuol Leap by moving artillery back within range of Phnom Penh's Pochentong Airport. Several 105-mm. howitzer rounds landed in the vicinity of the airfield yesterday, but neither this shelling nor the continuing barrage of rocket fire against the airfield caused any interruption in US supply airlift operations. Cambodian army efforts to retake Tuol Leap made only limited progress.

The insurgents have also increased pressure on government defenders along the east bank of the Mekong northeast of Phnom Penh by forcing two government battalions to abandon positions opposite the Chrouy Changwar naval base. Farther north on the Mekong, the Cambodian navy evacuated 650 troops and 250 families from isolated riverside positions at Prek Tamerk and Muk Kampul.

Along the lower Mekong southeast of Phnom Penh, continued heavy insurgent shelling yesterday knocked out one of the government's 105-mm. howitzers defending the garrison at Neak Luong. Communist ground attacks were also reported northeast of the town. Neak Luong's 4,400 defenders, along with its large civilian and refugee population, continue to be supplied entirely by airdrop.



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SOUTH VIETNAM

The situation around the coastal enclaves at Da Nang, Qui Nhon, and Nha Trang continues to deteriorate. This morning, the airport at Da Nang was closed because of uncontrollable mobs on the runways.

The Da Nang police system is breaking down, and so is discipline among the troops that retreated from other battlefronts and are now congregating in the city. Shots have been exchanged between the police and soldiers, and large numbers of police are deserting their posts.

Government commanders are expecting heavy rocket attacks against the city to begin soon, causing panic among the troops and refugees. The influx of refugees reportedly has swelled the city's population from 500,000 to nearly 2,000,000 over the past week. Rocket attacks on the airfield could inhibit the refugee airlift that began yesterday. Officials are concerned that the communists may also soon be able to move within mortar and SA-7 surface-to-air missile range of the airfield. There have been several small-scale ground clashes close to the city over the past few days.

Some 2,500 marines arrived in the city from Hue and were immediately deployed along the northern perimeter. Only the marine division and parts of the South Vietnamese 3rd Division are considered battleworthy at the moment. Most of the region's other regular combat units are still in disarray. For example, the 1st Division is fighting its way south from Hue, and the 2nd Division, having been driven from Quang Tin and Quang Ngai provinces, is trying to regroup on islands off the coast.

Two independent North Vietnamese regiments and the 304th Division already pose a direct threat to Da Nang from the west and could be committed to action in a matter of hours. Two other North Vietnamese divisions--the 324B and the 325th--are in southern Thua Thien Province and could move against the city's defenses in several days. With the collapse of the government's forces in the provinces just to the south, the North Vietnamese 2nd Division could be freed to move northward

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on Da Nang. [REDACTED]

The North Vietnamese 3rd Division began to drive toward Qui Nhon early yesterday with a series of attacks against the two regiments of the South Vietnamese 22nd Division that are defending the city from the west. By day's end, both regiments were cut off. These units have seen fairly steady action along Route 19 and are tired. Binh Dinh's regional and popular forces are being rushed down from the outer districts to help defend the city, but this amounts to abandoning much of the nation's second most heavily populated province to the communists.

The situation at Nha Trang is similar. Communist Forces moving out of the mountains are now in a position to bypass the airborne units that are tasked with blocking this coastal drive. Nha Trang's defense now depends on territorial forces, the remnants of a regiment that was forced out of the westernmost district earlier this week, and 23rd Division stragglers from the highlands. Security problems are compounded by large numbers of refugees.

* * * *

Press reports today on a coup attempt are false. The government has arrested ten civilians for "plotting" against the government. They are members of various opposition factions that have little national prominence and could pose no serious threat to the Saigon government.

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[REDACTED]

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PORTUGAL

Portuguese Prime Minister Goncalves, speaking yesterday at the swearing-in of the new cabinet, indicated that the government will continue to expand its control over private industry.

Goncalves left no doubt that the major emphasis of the cabinet will be on economic matters. He did not specify what is next in line to be nationalized, but said that the government's actions will provide "a clear demarcation of the sectors in which private enterprise can expand." Goncalves added that the government will also concentrate on consolidating its control of the banks and insurance companies nationalized earlier this month.

Portuguese leaders, including the relatively moderate Socialists, are committed to a policy aimed at breaking the economic power of the wealthy.

Goncalves said the government will also launch programs to counter rising unemployment and to regulate prices and incomes. He pointed out the need to "establish a regime of total austerity" because the country is "living above the means of the Portuguese economy."

A breakdown of the new cabinet according to party affiliation of the 13 civilian ministers shows that the posts were allotted equally to the four members of the coalition--the Socialist Party, the Communist Party, the pro-Communist Democratic Movement, and the center-left Popular Democratic Party. Each received one ministry without portfolio and one other post.

Of the remaining five civilian ministers, three are moderate technocrats, and two are Communist sympathizers. The latter two are in positions of importance to the Communists--the economic coordination and agriculture posts.

The military apparently was willing to give up its majority in the cabinet since the newly created all-military Revolutionary Council has taken over the legislative powers formerly held by the cabinet. The cabinet is still responsible for the day-to-day administration of the government, however, and could regain some of its former influence.

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President Costa Gomes remarked at the ceremony yesterday that the Revolutionary Council had been formed to stimulate the government. He indicated that the Council's role might be reduced if the cabinet proves it can take decisive action to enact reforms. [REDACTED]

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ARGENTINA

Peronist labor leaders are pressing President Peron to curb the influence of her confidant, Jose Lopez Rega. They plan to meet with her soon and will probably push for his resignation and possibly that of Economic Minister Gomez Morales.

Most Argentine politicians apparently believe that there is sufficient opposition to Lopez Rega to force the issue with Mrs. Peron. During the past week, labor support for her government has significantly eroded. Although the government claims to have smashed a subversive plot to paralyze key industries, several factories are still occupied by workers protesting the arrest of left-wing trade union leaders.

This unrest has been accompanied by growing political criticism. For the first time, minority parties within the coalition that returned the Peronists to power have attacked Mrs. Peron for her economic policies and her failure to consult with them on other key issues.

The concerted labor opposition to Lopez Rega increases pressure on Mrs. Peron to get rid of her adviser. If she gives in, it is doubtful that she can complete her term without Lopez Rega's support. On the other hand, if she refuses to make meaningful concessions, she will face an increasing number of strikes, continuing terrorist violence, and further loss of public support. [REDACTED]

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ARAB STATES - ISRAEL

The prospect of an early resumption of the Geneva conference will force the Arabs and Israelis to focus on the question of Palestinian participation in the talks. The Egyptians and Syrians have in the past threatened that they will not go back to Geneva without the Palestine Liberation Organization; the Israelis have long maintained that they will not negotiate with the PLO.

Israel has expressed a willingness to return to Geneva, but has shown no sign that it will deal with a PLO delegation. The extreme caution displayed by Tel Aviv during the recent round of indirect negotiations on a Sinai withdrawal suggests that Israel would not reconsider its more strongly held position not to recognize or negotiate with the PLO, even in return for major political concessions from Egypt and Syria. In the present atmosphere, the Arabs would in any case refuse to make such concessions.

Cairo and Damascus may, as an alternative, propose that the Arabs form a single, joint delegation that would include representatives of the PLO. Syrian President Asad has already suggested that Syria and the PLO could form a joint delegation. The Arabs would hope that these approaches could provide a way to get around Israel's objections. Israel, the Arabs may point out, did not object to the inclusion of several Palestinians in the Jordanian delegation at the first session of the Geneva talks in December 1973.

The Israelis have in fact said that they would not check too closely the credentials of the Arab delegates at Geneva. Tel Aviv may be ready to accept the presence of PLO members who are integrated into the delegation of one of the Arab states or into a single Arab delegation. The Israelis would, of course, balk if the PLO elected to send a delegate publicly identified with one of the terrorist groups that make up the organization. In addition, the Israelis would strongly resist any attempt to force them explicitly to accept the PLO as the representative of the Palestinians.

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The Israelis and the Arabs may, in the end, come to view a joint Arab-PLO delegation as the only way to forestall a total collapse of Middle East negotiations. Such a step would buy time for all parties, and would put off--perhaps indefinitely--what even the Arabs consider the undesirable and probably impossible task of distinguishing the Palestinian and Jordanian roles in negotiations.

Amman would probably participate in such a delegation, if urged to do so by Egypt and Syria. For the moment, however, King Husayn is staying on the sidelines, in the hope that the Arab states will be forced to concede Jordan a major role in negotiating with Israel.

Leaders of the PLO would accept an invitation to participate in a joint delegation, even though any participation would alienate radical fedayeen. The Palestinians' prompt approval of President Asad's recent offer of closer Syrian-Palestinian cooperation suggests they were sufficiently disillusioned by Egypt's apparent readiness to proceed without them that they were willing to sacrifice a measure of their autonomy in return for a tangible demonstration of Syrian support. PLO leaders look on the proposed joint command--and would look on a joint delegation--as insurance that they will be included in any future moves toward a negotiated peace or in any preparations for renewed hostilities.

Despite their willingness to cooperate closely with Damascus, however, the Palestinians remain suspicious of Syria's motives. They are, therefore, pleased that the step-by-step negotiations have collapsed, as this allows them to repair their strained relations with Egypt and look more closely at the Syrian offer. PLO leaders praised President Sadat's refusal to make greater concessions to Israel during the recent round of indirect talks, and sent a high-ranking official to Cairo after the talks collapsed.

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IRAN-IRAQ

Massive numbers of Iraqi Kurds are trying to leave the country, following the collapse of their armed rebellion as a result of the withdrawal of Iranian support. Rebels who stay behind face an onslaught by Iraqi forces when the cease-fire agreed to two weeks ago expires on April 1.

The Kurdish leadership is in disarray. Aging rebel chief Mulla Mustafa Barzani has in effect stepped down [REDACTED] There is no one of comparable stature to replace him and unite the Kurds.

Barzani, in a recent press interview, indicated that some 200,000 Kurds are trying to get out of Iraq before the March 31 deadline set by Tehran for accepting refugees. About 140,000 Iraqi Kurds had already taken refuge in Iran before the rebellion collapsed. As of last weekend, some 4,000 rebel troops in Iraq reportedly had opted to surrender and take their chances under the amnesty promised by Iraqi authorities.

Once the temporary truce ends--if not before--Baghdad almost certainly will resume the all-out drive through Kurdistan that it launched immediately after the accord with Iran was signed on March 6. Some Kurdish units--perhaps as many as 9,000 men--have vowed to continue the struggle from mountain hideouts, but they have only a limited capability for resisting Iraqi forces.

Many fleeing Kurds probably will not reach the border before the deadline. Their progress is hampered by distance, snow, rough terrain, and lack of transportation. The Kurds asked Turkish authorities to permit rebels now isolated in northernmost Kurdistan to transit Turkey on their way to Iran, but Ankara refused. Tehran has denied repeated requests from Kurdish leaders to seek an extension of the cease-fire. [REDACTED]

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The Shah clearly is concerned over the possible unsettling effects of the Kurdish refugees on Iran's own large Kurdish minority, especially now that Kurdish fighting men are coming in. Kurdish troops are being kept in camps separate from those housing civilians; all refugees may eventually be dispersed to non-Kurdish areas of Iran.

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Refugees probably will be a main topic of discussion during the current visit to Baghdad by Iranian Prime Minister Hoveyda. He is also likely to press for demarcation of the border to be completed quickly on the basis of the principles agreed to in the accord. The next meeting of the foreign ministers of Iraq, Iran, and Algeria, who are overseeing implementation of the accord, is scheduled for April 16 in Baghdad.

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FRANCE

The US defense attaché in Paris reports that the French plan to reorganize their army in order to increase their conventional military power in Europe and to enhance France's capability to protect French interests abroad.

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[redacted] the plans call for:

--The regular army to be reorganized on a regional basis, and the territorial army to be at least restructured, if not abolished outright. The goal of the reorganization presumably is to provide greater operational flexibility to the regular army.

--French paratroops will receive greater emphasis, with a view toward enhancing their intervention capability.

25X1 [redacted] France may have to fight somewhere other than on the eastern front in central Europe [redacted]

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25X1 [redacted] The possible assignment of some of the territorial forces to the regular army would release them from their present wartime role of providing static defense of home territory to more mobile support and reinforcement of the regular army.

During a televised speech on Tuesday, French President Giscard also touched on the theme of increasing the capabilities of French forces to react militarily on a worldwide scale. At the same time, he reaffirmed that France will maintain its overall security with an independent military force equipped with nuclear arms.

Giscard first expressed an interest in an increased worldwide role last October. During a press conference on the French defense review, Giscard noted that all recent conflicts in the Mediterranean have involved conventional forces, and he hinted that France would take

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steps to provide more flexible conventional means for overseas intervention in pursuit of its national interests.

The French Intervention Forces now consist of one airborne division, one independent infantry brigade, and the Metropolitan France Foreign Legion Group made up of four battalion-sized units. France also maintains approximately 14,000 army and Foreign Legion troops overseas on a permanent basis, mostly in Africa.

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FOR THE RECORD

Saudi Arabia: The transition to new leadership in Saudi Arabia apparently continues smooth and orderly. Before the late King Faysal's funeral yesterday, King Khalid and Crown Prince Fahd received the traditional pledges of allegiance from princes of the royal family, military commanders, Muslim religious leaders, Bedouin sheikhs, and ordinary citizens. Khalid began his reign by promising the nation that he would continue the policies pursued by his older brother. The message of continuity was undoubtedly intended to reassure the populace and Saudi allies, but it is probably a genuine expression of the orientation of both Khalid and Fahd--at least at this point.

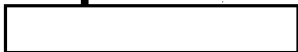
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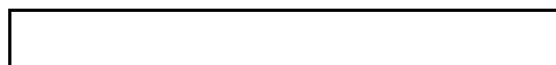
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